

or offers to pledge mutual fund shares, particularly shares which were not on the Board's list prior to July 8, 1969, a bank should treat any such loan as being subject to the requirements of the regulation unless the borrower supplies clear proof, to be preserved in the files of the bank, that § 221.3(q) does not apply or that the loan is "separated and disassociated" as specified in the section. In this connection, a general statement, such as that the credit is for "working capital" or "general corporate purposes", is insufficient evidence that the requirements of the regulation are not applicable.

[35 FR 6959, May 1, 1970]

**§ 221.120 Allocation of stock collateral to purpose and nonpurpose credits to same customer.**

(a) A bank proposes to extend two credits (Credits "A" and "B") to its customer. Although the two credits are proposed to be extended at the same time, each would be evidenced by a separate agreement. Credit A would be extended for the purpose of providing the customer with working capital (nonpurpose credit), collateralized by stock. Credit B would be extended for the purpose of purchasing or carrying margin stock (purpose credit), without collateral or on collateral other than stock.

(b) Regulation U allows a bank to extend purpose and nonpurpose credits simultaneously or successively to the same customer. This rule is expressed in § 221.3(n)(3) which provides in substance that for any nonpurpose credit to the same customer, the bank shall in good faith require as much collateral not already identified to the customer's purpose credit as the bank would require if it held neither the purpose loan nor the identified collateral. This rule also takes into account that the bank would not necessarily be required to hold collateral for the nonpurpose credit if, consistent with good faith banking practices, it would normally make this kind of nonpurpose loan without collateral.

(c) The Board views § 221.3(n)(3) of Regulation U, when read in conjunction with § 221.3(n)(1), as requiring that whenever a bank extends two credits to the same customer, one a purpose cred-

it and the other nonpurpose, any stock collateral must first be identified with and attributed to the purpose loan by taking into account the maximum loan value of such collateral as prescribed in § 221.4 (the Supplement) of Regulation U.

(d) The Board is further of the opinion that under the foregoing circumstances Credit B would be indirectly secured by stock, despite the fact that there would be separate loan agreements for both credits. This conclusion flows from the circumstance that the bank would hold in its possession stock collateral to which it would have access with respect to Credit B, despite any ostensible allocation of such collateral to Credit A.

[36 FR 25150, Dec. 29, 1971]

**§ 221.121 Computation of time periods for acquiring and holding blocks of stock by block positioners.**

(a) The Board recently considered two questions in connection with § 221.3 (z) (2) and (3) of Regulation U providing for bank credit to block positioners which is exempt from the normal margin requirements as prescribed from time to time in that regulation.

(b) The first question pertained to the period of time in which a block positioner, in order to qualify for the exemption, must position a block of stock when such positioning results from several transactions at approximately the same time from a single source, as set forth in § 221.3(z)(2)(ii).

(c) The Board is of the view that the aggregate of several transactions from a single source would ordinarily be carried out within a timespan of one-half hour in order for such aggregate to be considered one block of stock eligible for exempt credit. In extraordinary circumstances, however, the block positioner could consult the Reserve Bank in whose district its office is situated as to whether stock positioned over a slightly longer period constitutes a single block. In such a case the block positioner should, of course, disclose all relevant circumstances to the Reserve Bank.

(d) The second question related to the computation of the period of 20 business days, specified in § 221.3(z)(3), in which exempt credit may remain